

Message Text

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43

ACTION EB-11

INFO OCT-01 EUR-25 EA-11 ADP-00 AID-20 NSC-10 RSC-01

CIEP-02 SAL-01 SS-14 STR-08 OMB-01 CEA-02 CIAE-00

COME-00 FRB-02 INR-09 NSAE-00 TRSE-00 XMB-07 OPIC-12

LAB-06 SIL-01 L-03 H-02 DODE-00 PA-03 USIA-12 PRS-01

FSE-00 ABF-01 INRE-00 RSR-01 /167 W
----- 091280

P R 191444 Z MAR 73

FM AMEMBASSY STOCKHOLM

TO SECSTATE WASHDC PRIORITY 9773

INFO AMEMBASSY BONN

AMEMBASSY BERN

AMEMBASSY BRUSSELS

US MISSION EC BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY HELSINKI

AMEMBASSY LONDON

AMEMBASSY OSLO

AMEMBASSY TOKYO

AMEMBASSY PARIS

US MISSION OECD PARIS

AMEMBASSY ROME

UNCLAS STOCKHOLM 963

DEPARTMENT PASS TRESURY AND FEDERAL RESERVE

E. O. 11652 N/ A

TAGS EFIN, SW

SUBJECT: SWEDISH EXCHANGE MARKET OPENS WITH KRONA IN EC FLOAT.

REF: STOCKHOLM 899

1. EXCHANGE MARKET REOPENED MARCH 19 WITH TELEGRAPHIC RATE
FOR DOLLAR SET AT 4.445 SKR. RATE IN KRONOR PER DOLLAR IS
THUS HIGHER THAN UNOFFICIAL RATES PREVAILING OVER LAST TWO WEEKS
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AND ONLY SLIGHTLY BELOW (ONE ORE) LOWER INTERVENTION RATE ESTABLISHED AFTER FEBRUARY DEVALUATION OF FIVE PERCENT. AS OF NOON EXCHANGE MARKET OPERATING CAUTIOUSLY, WITH SMALL VOLUME, WITHIN NEW FLOAT ARRANGEMENT. RIKSBANK REPORTEDLY INTERVENING WHEN NECESSARY TO MAINTAIN CROSS RATES WITH OTHER CURRENCIES IN FLOAT.

2. RIKSBANK RELEASED FOLLOWING COMMUNIQUE ON MARCH 18: " AS ALREADY INDICATED IN VARIOUS PRESS NOTICES, THE CENTRAL BANK OF SWEDEN HAS NOW LINKED SWEDISH KRONA TO ARRANGEMENT WHICH SIX EC COUNTRIES, NAMELY BELGIUM, DENMARK, FRANCE, GERMANY, LUXEMBOURG, AND THE NETHERLANDS, HAVE SET UP FOR THEIR CURRENCIES, BY WHICH THESE CURRENCIES WILL BE HELD WITHIN A MAXIMUM EXCHANGE RATE MARGIN OF 2.25 PERCENT AT SAME TIME AS THEY ARE ALLOWED TO FLOAT FREELY AGAINST DOLLAR AND OTHER CURRENCIES. MONETARY DECISION OF EC COUNTRIES, AS ALSO SWEDEN' S CORRESPONDING DECISION, IS TO BE SEEN IN CONJUNCTION WITH FACT THAT UNITED STATES AND OTHER COUNTRIES IN SO- CALLED GROUP OF TEN INDUSTRIAL COUNTRIES HAVE SINCE UNDERTAKEN, WHEN NECESSARY AND IN CONSULTATION, TO INTERVENE IN THEIR MONETARY MARKETS TO MAINTAIN AN ORDERLY SITUATION. MONETARY ARRANGEMENT WHICH SWEDEN WITH THE OTHER EC COUNTRIES MENTIONED IS NOW SUBSCRIBING TO CAN BE EXPECTED TO INCLUDE CERTAIN OTHER COUNTRIES, NORWAY AMONG THEM.

" FOR OUR PART, THE SOLUTION MEANS THAT THE SWEDISH KRONA WILL MAINTAIN A FIXED RELATIONSHIP TO THE CURRENCIES IN A GROUP OF COUNTRIES THAT ARE OF IMPORTANCE TO US, A GROUP OF COUNTRIES WHICH ALSO ACCOUNTS FOR A LARGE PART OF SWEDEN' S FOREIGN TRADE. THIS FOREIGN EXCHANGE RATE RELATIONSHIP WILL BE SUSTAINED IN THE USUAL MANNER BY MUTUAL INTERVENTIONS BY CENTRAL BANKS OF COUNTRIES INVOLVED ONCE FOREIGN EXCHANGE MARKETS ARE AGAIN OPENED ON MONDAY. SINCE CENTRAL BANK OF SWEDEN, AS OTHER CENTRAL BANKS INVOLVED, WILL NOT, ON OTHER HAND, BE UNDERTAKING TO SUPPORT ANY SPECIFIC DOLLAR RATE, CERTAIN FLUCTUATIONS IN THIS RATE CANNOT BE EXCLUDED DURING A TRANSITIONAL PERIOD, EVEN IF NO GREAT CHANGES IN VALUE RELATIONSHIP OF INVOLVED CURRENCIES TO DOLLAR IN LONG RUN APPEAR TO BE NECESSARY NOR PROBABLE."

3. TALKING TO PRESS AFTER PARIS MEETING LAST FRIDAY, COMMERCE MINISTER FELDT STRESSED THAT SWEDISH PARTICIPATION IN EC FLOAT WAS DECTATED BY IMPORTANCE OF TRADE WITH COUNTRIES INVOLVED AND DESIRE " TO PRESERVE FIVE PERCENT SWEDISH DEVALUATION". HE SAID THAT COOPERATION WITH EC " DOES NOT SONSTITUTE ANYTHING NEW IN UNCLASSIFIED

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PRACTICE" SINCE IT WILL MERELY INVOLVE LONG- ESTABLISHED COORDINA-

TION BETWEEN CENTRAL BANKS. HE DID NOT BELIEVE THAT SWEDEN WOULD NEED CREDIT FROM OTHERS TO MAINTAIN JOINT FLOAT. ON CONTRARY, RIKSBANK MAY BE ASKED TO HELP COUNTRIES SUCH AS DENMARK. IMPORTANT ASPECT OF PARIS AGREEMENT WAS THAT FIXED RATES WILL BE MAINTAINED AS LONG AS POSSIBLE. AT SAME TIME IT REPRESENTS A PROVISIONAL SOLUTION TO CERTAIN EXTENT SINCE ALL AGREE THAT INTERNATIONAL MONETARY REFORM MUST BE ACHIEVED AS SPEEDILY AS POSSIBLE.

4. PRESS COMMENT GENERALLY TOOK POSITION THAT PARIS ARRANGEMENT PROBABLY BEST POSSIBLE SOLUTION IN CIRCUMSTANCES. CERTAIN COMMENTATORS, HOWEVER, COULD NOT RESIST ASKING WHY SWEDEN SHOULD NOW DECIDE TO ENTER CLOSE MONETARY ARRANGEMENT WITH EC AFTER CRITICIZING WERNER PLAN SO STRONGLY AND USING IT AS A MAIN ARGUMENT FOR NOT SEEKING EC MEMBERSHIP. THERE WAS SOME MILD CRITICISM OF US FOR NOT MAKING " ANY REAL CONCESSIONS" OR OTHERWISE DOING MORE TO HELP RESOLVE MONETARY CRISIS .
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BONN
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COPENHAGEN
EB
EC BRUSSELS
HELSINKI

LONDON
SECSTATE WASHDC

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